



**Comments of Great Plains Windustry Project (Windustry)**  
*In response to the Illinois Commerce Commission's Request for  
Public Comments on the Governor's Sustainable Energy Plan  
March 24, 2005*

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Mr. Harry Stoller  
Ms. Michelle Mishoe  
Illinois Commerce Commission  
527 E. Capitol Ave.  
Springfield, IL 62701

**Introduction**

Windustry is a Midwest based non profit organization that promotes wind energy through outreach, educational materials, and technical assistance to rural landowners, local communities and utilities, and state, regional, and nonprofit collaborations. We are headquartered in Minneapolis and, in collaboration with Illinois Stewardship Alliance, maintain an office in Illinois staffed by a registered Illinois Professional Engineer.

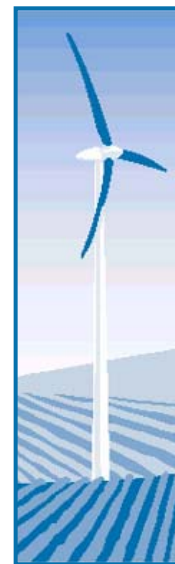
Windustry has an in depth understanding of the issues faced by other Midwestern states who have successfully integrated utility scale wind into their generation portfolios. In Minnesota, which ranks the fourth in the nation in terms of installed wind generation, we have worked extensively with landowners and rural communities to ensure they receive an equitable share in the benefit from wind projects, whether large and small.

**General Comments**

Windustry appreciates the opportunity to comment on Governor Blagojevich's proposed Sustainable Energy Plan (SEP). We are fully in support of the Governor's initiative and concur with his statement regarding the abundance and financial viability of utility scale wind in Illinois. Wind power generation brings substantial benefits to Illinois. Air and water quality is maintained. Investors receive a return on their capital, construction and service contracts create high paying jobs, landowners receive lease or easement payments and municipalities receive property taxes and permit fees.

**Locally Owned Projects Benefit Rural Economies**

Large scale wind development is undoubtedly necessary to attain the targets outlined in the governor's plan. It has been our experience that wind energy development proceeds more smoothly and with broader support when the interests of local communities are taken into account and steps are taken to enhance local economic benefits and provide opportunities for local ownership. While there are differing opinions regarding the relative size of benefits attributable to local ownership, few dispute that such benefits exist. Like other states, locally owned Illinois wind projects face substantial barriers to entry that, if left unaddressed, will likely deter all but the most dogged entrepreneurs. Major issues include lack of tax liability for federal tax credits, lesser ability to negotiate of power purchase agreements, procure capital equipment higher cost of capital. Here are several methods other states have either considered or employed to address these barriers:



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- Specify an explicit target of locally owned wind projects within the SEP
- Provide publicly accessible wind resource data at current hub heights (50m+)
- Specify a standard tariff for small wind (~2MW – 50 MW) projects
- Create incentives for developers to allow locally owned projects to ‘piggyback’
- Provide loan guarantees for projects without Power Purchase Agreements
- Establish a tradeable Renewable Energy Credit (Green Tag) mechanism
- Create state production incentives for projects ineligible for federal tax credits (PTC)

All wind energy development brings rural economic benefits through tax payments, land lease payments, investment and jobs. Locally-owned wind power has all of these benefits, but also keeps revenue from electricity sales in the community and provides opportunities for local small businesses and local investors. Incorporating one or more of the above strategies to encourage locally owned wind power to contribute to the Illinois SEP will significantly enhance the rural economic benefits of this initiative. Not considering the possibilities for local ownership of at least some of this proposed renewable energy development would be an unfortunate missed opportunity for rural Illinois.

### **Property Taxation of Wind Turbines Will Consume Local Revenues**

Illinois has several unique characteristics that are likely to undermine the value of property tax receipts to local taxing bodies. While Windustry is not an expert on property taxation, the following is our best explanation of how the Illinois property tax process relates to wind power projects:

Illinois assesses and collects property tax at the county level; this process is led by 102 Chief County Assessors. Complicating the inevitable variation between counties, in 1979, Illinois passed legislation that exempted taxation of personal property. Since different property classes maintain differing splits between real and personal property, the 1979 legislation froze each county’s ‘split’ for each class to address a concern that taxing bodies would simply adjust their split percentage for a given property class as a way to circumvent the loss of their personal property tax base. It is important to note that no Illinois County had utility scale wind turbines installed in 1979.

As wind projects are commissioned in Illinois, each county involved in a project will first need to determine their most appropriate property class for the asset (the wind turbines). This step will be easier for counties with existing electrical generation facilities although this relative ease may be more than offset by the difficulty in directly comparing the real property value of wind projects with those of nuclear and coal power plants. Regardless of property class, only the real property percentage of the asset is subject to taxation, using the historical split from 1979 for that property class. Depreciation schedule, lessee/lessor payment and default issues and uniformity with other property owners will also need to be considered at the county level and potentially renegotiated on a project by project basis.

This is a concern for four reasons: First, complex and redundant tax administration will consume revenues that could otherwise support public infrastructure. Second, larger wind projects that span county lines may choose to site turbines based on favorable taxation, in lieu of other factors such as superior wind resource. Third, counties with existing generation assets may be choose to assess wind projects at an obviously inequitable rate simply to avoid endangering revenues from existing power plants. Finally, any uncertainty and associated risk will ultimately be expressed in the form of a higher cost of capital. All told, these factors will limit the ability of wind projects to freely compete with traditional forms of electrical power generation.



Other states, most notably Minnesota, have exempted wind turbines from property taxation. At the joint request of landowners, county governments and wind developers, Minnesota wind projects are taxed at the state level on a production basis. Their approach removes much of the ambiguity by basing the value of assets on cash flows from power sales and limits the need to reach agreement on cost basis and asset depreciation schedules. Windustry recommends that any SEP include, at a minimum, the provision to examine property taxation of wind power generation and determine if an alternative taxation mechanism is more appropriate.

Windustry would welcome the opportunity to meet with the Illinois Commerce Commission to discuss topics in further detail. We appreciate the opportunity to comment.

Best regards,

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